

CONCRETE SCHOOL DISTRICT No. 11
Skagit County, Washington
September 1, 1992 Through August 31, 1994

Schedule Of Findings

1. The District Should Improve Internal Controls Over Assets And Should Make Deposits On A Timely Basis

Our audit of Concrete School District disclosed the following internal control weaknesses at the high school:

- a. Cash receipts are not deposited in a timely manner.
- b. Undeposited cash receipts are not secured in the school's safe.
- c. All cash is under the control of the principal and secretary who are husband and wife.

Article XI, Section 15, of the Washington State Constitution states:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town or other municipal corporation respectively, for the benefit of the funds to which they belong.

RCW 43.09.240 states in part:

. . . Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the taxing district once every twenty-four hours . . . (Emphasis ours.)

The Superintendent of Public Instruction (SPI) *Accounting Manual for Public School Districts in the State of Washington* at Chapter III, Section G-1, Page 3, states in part:

Key duties including authorizing, approving, and recording transactions; issuing and receiving assets; making payments; and reviewing or auditing transactions should be assigned to a number of individuals to ensure effective checks and balances.

The district has had three thefts at the high school in the last two years. During the first theft \$202 was taken, \$475 in the second year, and \$1,745 was taken in the third year. In each incident, the cash had not been deposited and had not been properly secured in the safe.

The assignment of duties at the high school does not ensure effective checks and balances. By not implementing proper segregation of duties between unrelated parties, no assurance can be given that all revenues due the district have been properly receipted and recorded. Errors or irregularities could occur and not be detected in a timely manner, if at all.

We recommend the district deposit cash receipts on a daily basis. We further recommend the district evaluate the effectiveness of assigned duties when related parties are involved.

2. The District Should Receive Appropriate Payment For All Meals Served

Prior to the audit of Concrete School District for fiscal years 1993 and 1994, an anonymous complaint alleged the high school principal and his wife, the school's activities secretary, were eating school lunches without paying for them. Upon further investigation, the claim was expanded to include breakfasts for the principal on a daily basis as well.

When confronted with the allegations, the principal denied receiving meals for free but conceded he had no evidence of payment. He further stated he felt he was entitled to the meals because there were a number of school related expenses for which he did not get reimbursement such as travel time and mileage. He stated he was willing to make payment for the meals.

Article VIII, Section 7, of the Washington State Constitution states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company, or corporation

By not collecting payment for meals served, the school district was making a gift of public funds. This situation occurred because the district did not take steps to ensure adult lunches would be compensated.

We recommend the district seek payment of the uncollected revenue. We further recommend the district implement a policy requiring all adult lunches be compensated for in advance or upon receipt.